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ANNUAL

REPORT

1967

TRIBAG

MINING CO., LIMITED

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ANNUAL MEETING

The annual general meeting of shareholders
will be held at 11:00 a.m. Eastern Daylight Time,
Tuesday, June 18, 1968
in The Library,
Royal York Hotel, Toronto, Ontario.

KEN DORSE, SAULT STE. MARIE

The Hon. George C. Wardrope, Ontario Minister of Mines, with Dr. N. B. Keevil cutting the ribbon at the official opening of the Tribag mine on July 11, 1967

TRIBAG MINING CO., LIMITED

HIGHLIGHTS - 1967

- Production started May 5, 1967
- In 8 months of 1967
  - Gross production—\$2,063,453
  - Mine operating profit—\$677,871 or 17.7¢ per share
  - Net cash earnings—\$546,111 or 14.3¢ per share
- 100,326 tons of ore milled for a recovery of 3,687,681 pounds of copper
- Bank loan reduced to \$850,000
- Ore reserves increased to 745,522 tons averaging 1.75% copper
- New labour contract to October 1970
- Underground development and exploration programme now being accelerated

N. B. Keevil © Karsh, Ottawa

PRESIDENT'S LETTER

To the Shareholders:

This annual report for the year ended December 31, 1967 marks our success in bringing the company's Batchawana copper property into production. The audited financial statements show the financial position, the source and use of funds, and the earnings for the eight months of production to the year end.

In the first four months of the fiscal year work was concentrated on the surface construction programme, and preparation of the mine for production. Electric power from the Great Lakes Power Company was turned on March 12, the major construction projects were completed during March, and the first copper concentrate was produced on May 5. In the past two years a total of $2,184,814 has been spent preparing the property for production, made up of $1,199,779 for fixed assets, $836,440 for deferred development and exploration, and $148,595 for the power line.

In the eight-month period ended December 31, 1967, 100,326 tons of ore were milled, averaging 436 tons per day at 1.90% copper and recovering 3,687,681 pounds of copper. This resulted in 5,994.8 tons of concentrate grading 30.76% copper and 5.3 ounces silver per ton.

Production for the eight months totalled $2,063,453, and after deducting $393,265 for smelter, freight and marketing and $992,317 for operating expenses, mine operating profit was $677,871, equivalent to 17.7¢ per share. After providing for bank and debenture interest of $131,930, net cash earnings before write-offs amounted to $546,111 or 14.3¢ per share. Write-offs for depreciation and deferred expenditures totalled $493,728 leaving a net profit of $52,383. As a new mine, the company has applied for the three-year exemption from federal income taxes.

A $1,000,000 loan was arranged with the company's bankers at the start of production to provide working capital, finance concentrate shipments on which payment is received three months after delivery, and to cover additional expenses in the final plant construction. As at December 31, 1967 this loan had been reduced to $850,000, and was secured by receivables of $1,133,569 in copper concentrates. There are $1,500,000 in 7% convertible income bonds due 1972 outstanding on which interest has accrued under the terms of the trust agreement.

Details of the mine operation and underground development work are given in the mine manager's "Report on Operations" together with a sketch map of the workings. In the early production stages all diamond drilling and lateral development work has been centred on stope preparation. As a result of this work and detailed geological studies, structural control of the orebodies was indicated which will provide a guide for future development and exploration.

While no major exploration was carried out in the mine, stope preparation outlined sufficient new ore to replace that mined. Preparation of a long hole blast stope between the 625 and 900-foot levels will permit lower costs and thereby the treatment of a larger tonnage of lower grade ore. Inclusive of this latter block, estimated ore reserves as at December 31, 1967 totalled 745,522 tons with an average grade of 1.75% copper and 0.35 ounces silver per ton. This compares with the previous estimate of approximately 600,000 tons grading 2.2% copper.

The programme for 1968 will include deep exploratory drilling. Diamond drilling from the 1,050 and 1,200-foot levels will probe for the extension of the domal structure to depth, and follow up on previously reported ore intersections at these horizons. It is hoped that this programme will provide further understanding of the breccia structure, and enable constructive planning for future shaft sinking and deep development. Consideration is also being given to resuming work on the East breccia.

Your directors are pleased with results to date, which have demonstrated a good rate of earnings at prevailing copper prices. The company will establish a sound working capital position after which it is anticipated that the exploration and development programme will be accelerated.

On behalf of the Board,

362-1871

N. B. KEEVIL
President

May 21, 1968

REPORT ON OPERATIONS

CONSTRUCTION

The construction programme initiated in September 1966 continued throughout the first four months of the year with the completion of a mine office, dry, crusher house, screenhouse, conveyor galleries, coarse and fine ore bins, substation, switchroom, garage and concentrator. In addition, renovations were made to the headframe, machine shop, electric shop, hoist and compressor house, cookery and bunkhouses.

Great Lakes Power Company constructed a 44 kv eight-mile power line which was completed in March 1967.

PRODUCTION

The concentrator was started on May 3, 1967 and after a short run-in period operated satisfactorily throughout the remaining eight months of the year.

Ore milled (dry tons)	100,326
Copper recovered (pounds)	3,687,681
Silver recovered (ounces)	31,570
Head assay (% copper)	1.90
Recovery (%)	97.0
Concentrate grade (% copper)	30.76

Concentrate production totalled 5,994.8 tons at a grade of 30.76% copper and 5.3 ounces per ton silver. This product was trucked to Sault Ste. Marie for shipment by rail to Noranda Mines Limited for smelting, refining and marketing under the terms of the 1965 agreement.

By the end of the year the mill was producing concentrates as forecast grading 31.54% copper and with a 98.2% recovery.

OPERATING COSTS

The following is an analysis of mine operating costs:

	Total	Cost per ton milled
Exploration and development	$ 92,489	$0.92
Mining	441,356	4.40
Milling	147,229	1.47
General expense at property	215,287	2.14
Total	$896,361	$8.93

DEVELOPMENT

With the necessity for early and continuous mine production, all diamond drilling and lateral development work was directed towards stope preparation.

During the year the ore pass system was completed from the 1050-foot to the 375-foot level and a loading pocket installed at the 1050 level station.

SUMMARY

	Feet
Drifting and crosscutting	2,463.5
Raising	1,103.0
Ore passes	841.5
Diamond drilling (underground)	19,992.0
Diamond drilling (surface)	3,983.0

GEOLOGY

Underground stope preparation and detailed geological studies indicated a structural control of ore deposition. A domed structure located in the central part of the breccia pipe contains two major zones with a number of subsidiary branches.

By the end of the year the main ore zones were well outlined and their continuity established by drifting and raising. Visually sharp assay walls permit clean mining to the natural limits of ore mineralization.

MINING

The domed nature of the ore zone dictates the mining method. Shrinkage stopes are used to extract the steeper portions of the ore and open scraper stopes for the flatter top portions.

A long hole blast stope is under preparation between the 900 and the 625 levels where the convergence of several zones permits the use of this lower cost method.

By the year end 19,359 tons of broken ore had been accumulated in the shrink stopes and 7,196 feet of long hole drilling had been done in the blast hole stope.

ORE RESERVES

All development work done during the year was directed towards the preparation of known ore zones.

In addition to the blast hole stope presently in preparation between the 900-foot and the 625-foot levels in the Main Zone, a second blast hole stope in the South Zone between the 625-foot and the 325-foot levels is being developed by drifting and slashing on the 625-foot horizon.

After the milling of 100,326 tons during the year, ore reserves increased to 745,522 tons at 1.75% copper at year end.

GENERAL

A three-year collective agreement negotiated with the United Steelworkers of America became effective October 1, 1967. This agreement provided for a wage increase in the first year with an additional 5% increase for each of the succeeding years. Eight statutory holidays and improvements to the medical plan were included in the fringe benefits.

Considerable work was done on the 17-mile mine access road and further work will be required as time and conditions permit. Some financial assistance for the construction phases has been received from the Provincial government, under the terms of their Mines Access Roads policy.

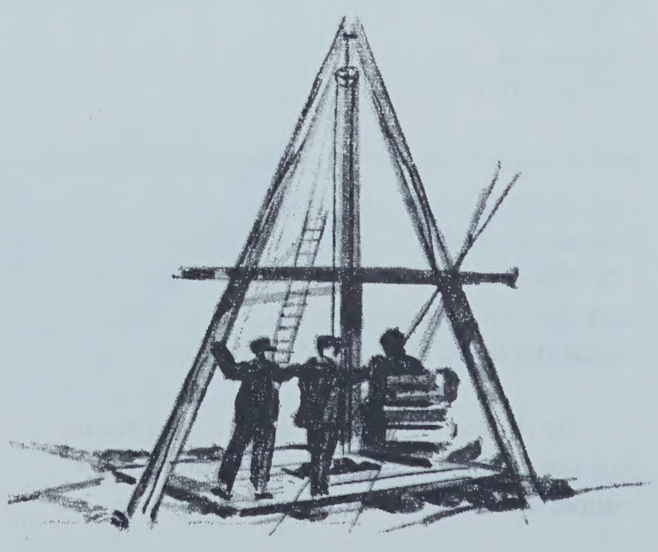
An adequate labour force was available at all times with mine personnel totalling 120 at year end. This was due in part to the company's housing programme with accommodation being provided for 45 families.

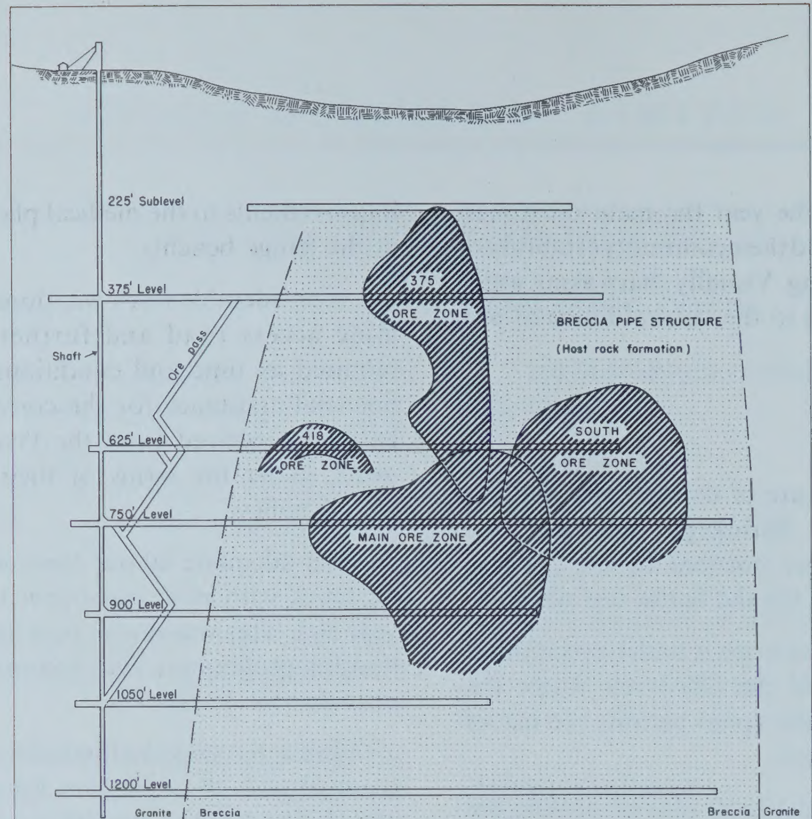
I wish to thank the directors of the company, the staff and all employees for their assistance and loyalty through the balance of the construction and the startup and production periods.

Respectfully submitted,

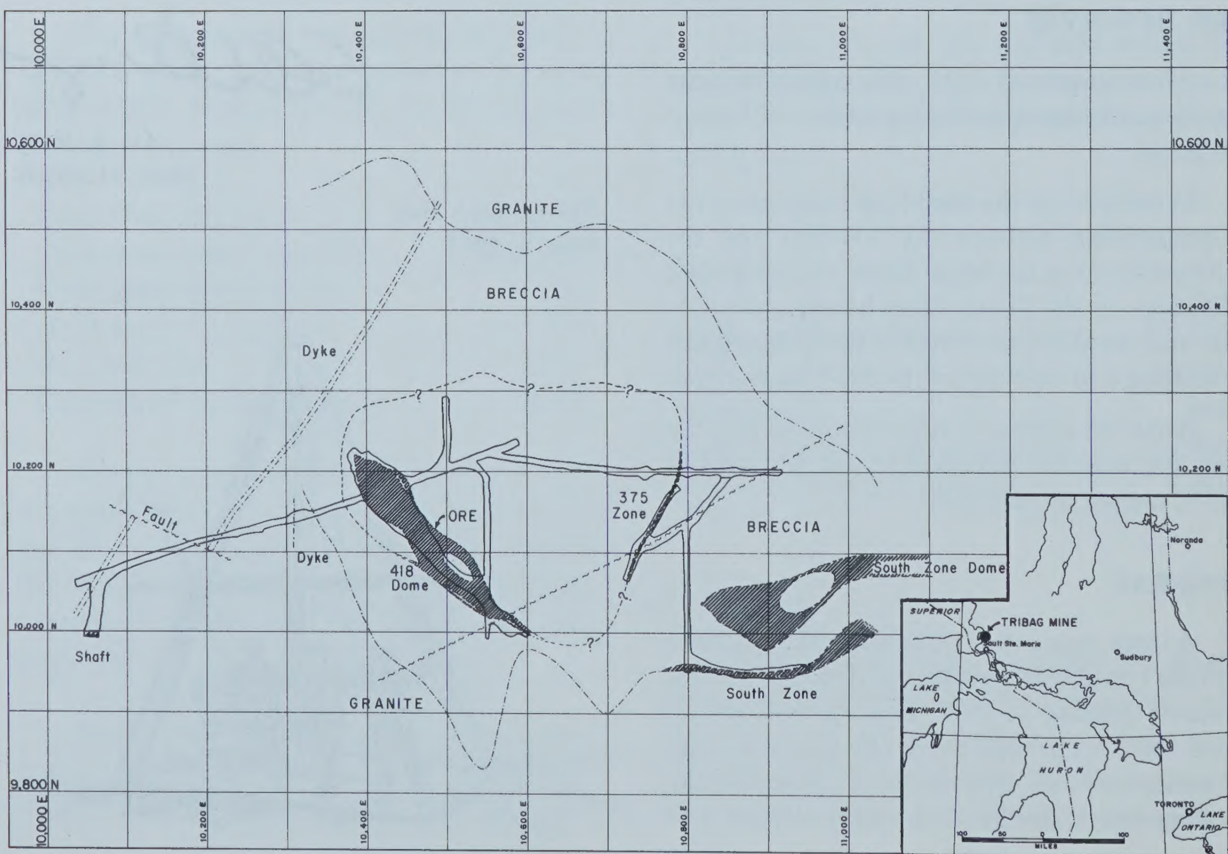
G. A. Vary
Mine Manager

Batchawana Bay
May 8, 1968





LONGITUDINAL PROJECTION
FACING NORTH
RELATIVE ORE AND DEVELOPMENT LOCATION
NO SCALE



625 LEVEL
DEVELOPMENT AND ORE STRUCTURE

STATEMENT OF EARNINGS FOR THE EIGHT MONTH PERIOD

MAY 1, 1967 TO DECEMBER 31, 1967

Income	
Value of production	$2,063,453
Less: Smelter, freight and marketing expenses	393,265
	1,670,188
Operating Expenses	
Mining	441,356
Milling	147,229
Development and exploration	92,489
General mine expenses	215,287
Executive office expenses	65,166
Ontario mining tax	30,790
	992,317
Mine Operating Profit	677,871
Other Income	
Dividends	170
	678,041
Other Expenses	
Bank interest	31,936
Debenture interest	99,994
	131,930
Mine Operating Profit for the Eight Months, Before Depreciation and Amortization	546,111
Provision for depreciation	162,927
Provision for amortization of deferred expenditures	330,801
	493,728
Net Profit for the Eight Months (note 6)	$ 52,383

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Tribag Mining Co., Limited as at December 31, 1967 and the statements of deferred development, exploration and administrative expenditures, earnings, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 17, 1968
Toronto, Ontario

McDONALD CURRIE & CO.,
Chartered Accountants

BALANCE SHEET AS AT

ASSETS

	1967	1966
Current Assets		
Cash	—	$ 27,326
Accounts receivable	$ 22,469	48,447
Ore settlements—at estimated net realizable value	1,133,569	—
Concentrates on hand—at estimated net realizable value	8,996	—
Stores and materials—at cost	54,124	27,713
Prepaid insurance	18,508	26,782
	1,237,666	130,268
Investments—at cost, less amounts written off (quoted market value 1967 $193,916; 1966 $128,886)	138,974	138,924
Fixed Assets—at cost		
Buildings, machinery and equipment	1,629,267	1,097,666
Accumulated depreciation	140,827	—
	1,488,440	1,097,666
Mining claims	602,911	603,241
	2,091,351	1,700,907
Other Assets and Deferred Expenditures—at cost		
Deferred development, exploration and administrative	3,308,010	2,835,576
Amortization	330,801	—
	2,977,209	2,835,576
Bond discount and financing charges	10,880	7,880
Hydro line (note 1)	155,660	52,914
	3,143,749	2,896,370
	$6,611,740	$4,866,469

LIABILITIES

	1967	1966
Current Liabilities		
Bank overdraft	$ 2,977	—
Bank loan (note 2)	850,000	—
Accounts payable and accrued liabilities	489,320	$ 273,479
Provision for mining taxes	30,790	—
	1,373,087	273,479
Long-Term Debt		
7% convertible income bonds due on or before August 31, 1972 (note 3)	1,500,000	900,000

SHAREHOLDERS' EQUITY

	1967	1966
Capital Stock (notes 3 and 4)		
Authorized—		
7,500,000 common shares of $1 par value		
Issued and fully paid—		
3,827,000 shares	3,827,000	3,677,000
Discount thereon (net)	503,000	356,000
	3,324,000	3,321,000
Contributed Surplus—arising from reduction in capital in 1956	583,355	583,355
	3,907,355	3,904,355
Deficit	168,702	211,365
	3,738,653	3,692,990
	$6,611,740	$4,866,469

Signed on Behalf of the Board

Director

J H Wesley

Director

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
Source of Funds		
Net profit for the period	$ 52,383	—
Add: Charges not requiring cash outlay—		
Depreciation	162,927	—
Amortization	330,801	—
Proceeds of issue of 7% convertible income bonds together with common shares	600,000	$ 900,000
Hydro line recoveries	3,264	—
Proceeds of issue of 200,000 common shares of capital stock	—	250,000
Sale of investments	—	40,483
	1,149,375	1,190,483
Use of Funds		
Additions to fixed assets (net)	553,701	646,078
Deferred development, exploration and administration expenditures	472,607	547,395
Construction of hydro line	106,010	42,585
Account receivable—written off	9,217	—
Purchase of investments	50	—
	1,141,585	1,236,058
Increase (Decrease) in Working Capital	7,790	(45,575)
Working Capital—Beginning of Year	(143,211)	(97,636)
Working Capital—End of Year	($ 135,421)	($ 143,211)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
Balance—Beginning of Year	$211,365	$141,974
Less: Net Profit for the period	52,383	—
	158,982	141,974
Add:		
Write off of mining claims—cost	330	—
Expenditures thereon	173	—
Account receivable written off	9,217	—
Write down of investments	—	65,688
Buildings and equipment written off	—	3,703
Balance—End of Year	$168,702	$211,365

STATEMENT OF DEFERRED DEVELOPMENT, EXPLORATION AND ADMINISTRATIVE EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 1967

Balance—Beginning of Year			$2,835,576
Expenditures—January 1 to April 30, 1967			
Exploration—			
Mine exploration and development (net)		$311,339	
General expenditures on property		99,689	
		411,028	
Administration—			
Mine office	$33,757		
Head office	27,649	61,406	472,434
Balance—End of Year			$3,308,010

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1967

1. The cost of the hydro line is recoverable from the Great Lakes Power Company Limited at the rate of 10% of the annual hydro bill.
2. The bank loan is secured by a general assignment of accounts receivable, ore settlements receivable and a specific and floating first charge on all of the company's property and assets.
3. The company has entered into an agreement with Teck Corporation Limited, dated August 17, 1966 to provide financing to the extent of $1,750,000 to bring the Batchawana copper property into production in consideration for

(a) 200,000 treasury shares at $1.25 per share	$ 250,000
(b) a total of $1,500,000 principal amount of 7% convertible income bonds due August 31, 1972 (convertible at $1.25 per share) and 375,000 treasury shares to be issued in units consisting of one bond of the principal amount of $1,000 and 250 shares at the price of $1,000 per unit	1,500,000
	$1,750,000

As at December 31, 1967, the 200,000 treasury shares and 1,500 units of the 7% convertible income bonds and shares had been issued.

4. Capital stock issued for the year is as follows:

	No. of shares	Par value	(Premium) Discount	Net
Balance—December 31, 1966	3,677,000	$3,677,000	$356,000	$3,321,000
Issued with bonds for cash	150,000	150,000	147,000	3,000
Balance—December 31, 1967	3,827,000	$3,827,000	$503,000	$3,324,000

5. Remuneration paid to five employees, designated "senior officers" by The Corporations Act was $58,513. No director or executive officer received any fees or salaries.
6. No provision has been made for corporation income taxes as the company is applying for a three year tax exemption under Section 83(5) of the Income Tax Act.

Copper flotation at Tribag.

TRIBAG MINING CO., LIMITED

DIRECTORS

C. H. Franklin, Toronto, Ontario
President, Minaco Equipment Limited,
J. M. G. Manufacturing Limited,
Director, Vascan Limited,
Nigadoo River Mines Limited

E. R. Heald, Toronto, Ontario
President, Sladen (Quebec) Limited

N. B. Keevil, M.Sc., Ph.D., Port Credit, Ontario
President, Teck Corporation Limited, Copperfields Mining Corporation Limited and other companies

N. B. Keevil Jr., M.Sc., Ph.D., P.Eng., Toronto, Ontario
President, Geophysical Engineering & Surveys Limited
Vice-President, Teck Corporation Limited

J. H. Westell, Islington, Ontario
Vice-President, Keevil Mining Group Limited
Treasurer, Teck Corporation Limited and other associated companies.

OFFICERS

N. B. Keevil, *President*
N. B. Keevil Jr., *Vice-President*
J. A. Gibson, *Secretary*
J. H. Westell, *Treasurer*

HEAD OFFICE	Suite 4900, P.O. Box 49, Toronto-Dominion Centre Toronto 1, Ontario.
MINE MANAGER	G. A. Vary
MINE OFFICE	Batchawana Bay, Ontario
TRANSFER AGENT	Crown Trust Company, Toronto, Ontario
AUDITORS	McDonald Currie & Co., Toronto, Ontario
SHARES LISTED	The Toronto Stock Exchange

KEEVIL MINING GROUP

Statement of Source and Application of Funds

For the Six Months Ended June 30, 1967

Working Capital, January 1, 1967 (Deficit)	$ (170,924)
Source of Funds:	
Mine Operating Profit	$ 96,002
Proceeds of issue of 7% convertible income bonds together with shares	600,000
	696,002
Application of Funds:	
Additions to buildings, machinery and equipment at cost	376,783
Deferred development, exploration and administrative expenditures	486,180
Construction of hydro line	91,764
Increase in materials and supplies	21,908
Purchase of investment in affiliated company	50
	976,685
Decrease in Working Capital — for the period	280,683
Working Capital, June 30, 1967 (Deficit)	$ (451,607)

Printed in Canada

TRIBAG MINING CO., LIMITED

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KEEVIL MINING GROUP

INTERIM REPORT

6 MONTHS ENDED JUNE 30, 1967

Executive Offices

Suite 1000,
11 Adelaide Street West,
TORONTO, ONTARIO

TRIBAG MINING CO., LIMITED

To the Shareholders:

In the first six months of the current year operations were primarily directed to preparing the company's Batchawana property for production, which commenced on May 5th. The full story of the start-up, the official opening on July 12th and a general review of the property's potential were covered in a feature article in the July 13th "The Northern Miner", reprints of which were forwarded to our shareholders.

In brief, results and earnings are fulfilling our earlier expectations and forecasts; while operations are still in the "break-in" period, full capacity rate has been achieved, costs have been in line with estimates and a good earnings potential is being demonstrated.

As required under the new Ontario regulations, Statements of Income and Source and Application of Funds for the interim six month period ended June 30, 1967 are presented herewith. However, as the Income Statement covers a less than two months period during the start-up, results should not be taken as fully representative.

On behalf of the Board,

N. B. KEEVIL

President

August 25, 1967

TRIBAG MINING CO., LIMITED

Statement of Income

From Commencement of Production May 5, 1967 to June 30, 1967

INCOME	
Ore and concentrates	$ 362,394
Less: Smelter, freight and marketing	77,783
	284,611
Less: Operating expenses	
Mining	63,157
Milling	29,444
Development and exploration	36,032
General mine expenses	42,913
Administrative expenses	17,063
	188,609
Mine Operating Profit for the period	$ 96,002

Tons milled	19,316
Tons concentrate (dry)	1,263
Recoveries — copper, lbs.	731,448
— silver, ozs.	6,277

NOTE

No provision has been made in the above statements for accrued interest on the 7% convertible Income Bonds as the bond indenture specifies the determination is based on net income for the period ended December 31.

As the company only started production operations in May 1967, figures for the same period of 1966 would not be comparative.

Above figures are unaudited, contain estimates and are subject to adjustment on final smelter settlements.